Consolidated Financial Statements of

Posera Ltd.
(formerly Posera-HDX Ltd.)

Years ended December 31, 2016 and 2015

Management's Responsibility for the Consolidated Financial Statements

The management of Posera Ltd. (formerly Posera-HDX Ltd.) is responsible for the preparation of all information included in the accompanying audited consolidated financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, and necessarily include some amounts that are based on management's best estimates and judgments. Financial information included elsewhere in this annual report is consistent with that in the consolidated financial statements.

Management maintains a system of internal accounting controls to provide reasonable assurance that the consolidated financial statements are accurate and reliable and that the assets are safeguarded from loss or unauthorized use.

The Company's external auditors, appointed by shareholders, have prepared their report, which outlines the scope of their examination and expresses their opinion on the consolidated financial statements.

The Board of Directors, through its Audit Committee, is responsible for assuring that management fulfills its financial reporting responsibilities. The Audit Committee is composed of independent directors who are not employees of the Company.

The Audit Committee meets periodically with management and with the auditors to review and to discuss accounting policy, auditing and financial reporting matters. The Committee reports its findings to the Board of Directors for their consideration in reviewing and approving the consolidated financial statements for issuance to shareholders.

Signed "Dan Poirier"
Dan Poirier – Chief Executive Officer

Signed "Kevin Mills"
Kevin Mills – Chief Financial Officer

March 30, 2017

March 30, 2017

Independent Auditor's Report

To the Shareholders of Posera Ltd.

We have audited the accompanying consolidated financial statements of Posera Ltd. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
95 King Street South, Suite 201, Waterloo, Ontario, Canada, N2J 5A2
T: +1 519 570 5700, F: +1 519 570 5730

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Posera Ltd. and its subsidiaries as at December 31, 2016 and December 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Posera Ltd. (Formerly Posera-HDX Limited)

Consolidated Statements of Financial Position

As at December 31, 2016 and December 31, 2015

(in Canadian dollars)

		December 31, 2016		December 31, 2015
ASSETS (Notes 11, 14, 15, 19 and 20)				
CURRENT				
Cash and cash equivalents [Note 4 and 20 (a)]	$	407,044	$	1,702,972
Accounts receivable [Note 18 and 20(a)]		2,781,761		3,592,954
Note receivable		480,000		-
Current portion of lease and other receivables (Note 5)		84,748		15,206
Inventory (Note 7)		1,166,612		989,544
Investment credits receivable - refundable (Note 6)		510,204		186,999
Income taxes receivable (Note 16)		-		35,272
Prepaid expenses and deposits		232,782		251,782
		5,663,151		**6,774,729**
NON-CURRENT				
Property, plant and equipment (Note 8)		254,043		202,572
Deposit on leased premises		39,583		39,581
Lease and other receivables (Note 5)		46,927		15,978
Investment tax credits receivable - non-refundable (Note 6)		803,016		819,986
Intangible assets (Note 9)		1,456,606		2,476,006
Goodwill (Note 10)		4,189,233		6,462,056
	$	**12,452,559**	**$**	**16,790,908**
LIABILITIES (Note 19 and 20)				
CURRENT				
Accounts payable and accrued liabilities (Note 12 and 18)		3,094,678		3,394,862
Provisions (Note 13)		669,841		622,218
Current portion of vehicle loans and capital leases (Note 15)		18,955		47,157
Current portion of notes payable (Note 14)		-		419,614
Income taxes payable (Note 16)		11,779		52,057
Deferred revenue		1,770,310		1,783,116
		5,565,563		**6,319,024**
NON-CURRENT				
Deferred income tax liability (Note 16)		19,360		115,889
Vehicle loans and capital leases (Note 15)		35,103		92,186
Notes payable (Note 14)		1,493,689		1,353,442
		7,113,715		**7,880,541**
EQUITY				
SHARE CAPITAL [Note 17(a)]		56,882,021		56,882,021
CONTRIBUTED SURPLUS [Note 17(b, c)]		7,494,531		7,196,429
WARRANTS [Note 17(d)]		80,133		80,133
DEFICIT		(59,845,314)		(56,164,366)
ACCUMULATED OTHER COMPREHENSIVE INCOME		727,473		916,150
		5,338,844		**8,910,367**
	$	**12,452,559**	$	**16,790,908**

APPROVED BY THE BOARD

Signed "Loudon Owen" Director

Signed "Michael Brown" Director

See accompanying notes to the consolidated financial statements

Subsequent events (Note 26)

Posera Ltd. (Formerly Posera-HDX Limited)

Consolidated Statements of Operations and Comprehensive Loss

For the Years ended December 31, 2016 and 2015

(in Canadian dollars, except for number of common shares)

	Year ended December 31,			
		2016		**2015**
REVENUE (Note 18, 24)				
Point of sale revenue	$	16,796,477	$	16,678,674
Payment processing revenue		8,237		12,498
TOTAL REVENUE		**16,804,714**		**16,691,172**
COST OF SALES (Note 18, 21)				
Cost of inventory (Note 7)		4,351,262		3,611,620
Technology (Note 6)		1,958,359		2,046,625
Operations and support		5,629,230		5,383,157
TOTAL COST OF SALES		**11,938,851**		**11,041,402**
GROSS PROFIT		**4,865,863**		**5,649,770**
OPERATING EXPENSES (Note 18, 21)				
Sales and marketing		3,047,226		3,197,100
General and administrative		5,575,420		5,285,080
Restructuring costs (Note 13)		1,178,593		662,512
Impairment of assets (Note 10)		-		1,562,675
TOTAL OPERATING EXPENSES		**9,801,239**		**10,707,367**
		(4,935,376)		**(5,057,597)**
OTHER EXPENSES (INCOME)				
Interest expense (Notes 11, 14 and 15)		377,387		398,376
Realized and unrealized loss(gain) on foreign exchange		62,502		(10,402)
Interest and other income		(10,588)		(19,963)
Loss on revaluation of financial instruments (Note 25)		308,229		-
TOTAL OTHER EXPENSES		**737,530**		**368,011**
NET LOSS BEFORE INCOME TAXES FROM CONTINUING OPERATIONS		**(5,672,906)**		**(5,425,608)**
INCOME TAX EXPENSE (RECOVERY)				
Current (Note 16)		155,639		555,952
Deferred (Note 16)		(258,100)		(502,837)
NET LOSS FROM CONTINUING OPERATIONS	**$**	**(5,570,445)**	**$**	**(5,478,723)**
Gain on disposition of subsidiary (net of tax) (Note 25)		1,959,794		-
Loss from discontinued operations (net of tax) (Note 25)		(70,297)		(88,456)
NET LOSS	**$**	**(3,680,948)**	**$**	**(5,567,179)**
Items that may be reclassified subsequently to net income				
Other comprehensive gain (loss) on foreign translation		(188,677)		690,937
NET COMPREHENSIVE LOSS	**$**	**(3,869,625)**	**$**	**(4,876,242)**
BASIC AND DILUTED LOSS PER SHARE (Note 17(e))	$	(0.05)	$	(0.08)
BASIC AND DILUTED LOSS PER SHARE FROM CONTINUING OPERATIONS SHARE (Note 17(e))	$	(0.07)	$	(0.08)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES (in 000's)		75,838		71,225

See accompanying notes to the consolidated financial statements

Posera Ltd. (Formerly Posera-HDX Limited)

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015
(in Canadian dollars)

		Year-ended December 31, 2016		2015
DEFICIT BEGINNING OF PERIOD	$	(56,164,366)	$	(50,597,187)
Net loss		(3,680,948)		(5,567,179)
DEFICIT END OF PERIOD	**$**	**(59,845,314)**	**$**	**(56,164,366)**
ACCUMULATED OTHER COMPREHENSIVE INCOME(LOSS) BEGINNING OF PERIOD	$	916,150	$	225,213
Other comprehensive gain (loss) on foreign translation		(188,677)		690,937
ACCUMULATED OTHER COMPREHENSIVE INCOME END OF PERIOD	**$**	**727,473**	**$**	**916,150**
NET COMPREHENSIVE LOSS	**$**	**(3,869,625)**	**$**	**(4,876,242)**
SHARE CAPITAL BEGINNING OF PERIOD	$	56,882,021	$	53,656,082
Issued for cash consideration		-		3,579,000
Issuance costs - Cash		-		(272,928)
Issuance costs - Compensation Warrants		-		(80,133)
SHARE CAPITAL END OF PERIOD [Note 17(a)]	**$**	**56,882,021**	**$**	**56,882,021**
CONTRIBUTED SURPLUS BEGINNING OF PERIOD	$	7,196,429	$	7,142,111
Expiry of warrants		-		36,137
Stock based compensation		298,102		18,181
CONTRIBUTED SURPLUS END OF PERIOD [Note 17(b, c)]	**$**	**7,494,531**	**$**	**7,196,429**
WARRANTS BEGINNING OF PERIOD	$	80,133	$	36,137
Expiry of warrants		-		(36,137)
Compensation warrants		-		80,133
WARRANTS END OF PERIOD [Note 17(d)]	**$**	**80,133**	**$**	**80,133**

See accompanying notes to the consolidated financial statements

Posera Ltd. (Formerly Posera-HDX Limited)

Consolidated Statements of Cash Flows

For the year-ended December 31, 2016 and 2015
(in Canadian dollars)

	Year-ended December 31, 2016	2015
NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net loss	$ (3,680,948)	$ (5,567,179)
Items not affecting cash		
Amortization of property, plant & equipment (Note 8)	99,896	92,925
Amortization of intangible assets (Note 9)	742,080	1,373,212
Deferred income tax recovery (Note 16)	(258,100)	(503,611)
Loss on revaluation of note receivable (Note 25)	320,000	-
Impairment of assets (Note 10)	-	1,562,675
Stock-based compensation expense [Note 17(b,c)]	298,102	18,180
Interest accretion (Note 14 and 15)	152,820	168,132
Reduction of notes payable principle (Note 14)	(11,771)	-
Gain on sale of Zomaron (Note 25)	(1,959,794)	-
Unrealized loss on foreign exchange	19,042	23,775
	(4,278,673)	**(2,831,891)**
Changes in working capital items (Note 23)	253,139	1,253,405
	(4,025,534)	**(1,578,486)**
FINANCING		
Proceeds from issuance of Common Shares[(Note 17(a)]	-	3,579,000
Issuance costs paid for Common Shares [Note 17(a)]	-	(272,928)
Repayment of vehicle loans and capital leases (Note 15)	(33,375)	(64,049)
Proceeds from vehicle loans (Note 15)	33,371	-
Repayment of notes payable (Note 14)	(404,938)	(471,885)
	(404,942)	**2,770,138**
INVESTING		
Disposition of Zomaron, net of cash (Note 25)	3,412,689	-
Acquisition of Terminal Management Concepts Ltd, net of Cash	-	(750,000)
Acquisition of property, plant and equipment (Note 8)	(248,399)	(10,004)
Acquisition of intangible assets (Note 9)	(3,190)	(4,056)
	3,161,100	**(764,060)**
Foreign exchange gain on net cash and cash equivalents held in a foreign currency	**(26,552)**	**39,797**
NET CASH AND CASH EQUIVALENTS INFLOW (OUTFLOW)	**$ (1,295,928)**	**$ 467,389**
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,702,972	1,235,583 Pag
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 407,044**	**$ 1,702,972**
SUPPLEMENTAL OPERATING CASH FLOW INFORMATION		
Interest paid	$ 226,900	$ 239,766
Interest received	10,588	31,933
Income taxes paid	78,358	71,681
Investment credits and investment tax credits receivable received	-	960,707

See accompanying notes to the consolidated financial statements

1. DESCRIPTION OF BUSINESS

Posera Ltd. (formerly Posera-HDX Ltd.) ("Posera", or the "Company"), is domiciled in Canada and is in the business of managing merchant transactions with consumers and facilitating payments emphasizing transaction speed, simplicity and accuracy. Posera develops and deploys touch screen point-of-sale ("POS") system software and associated enterprise management tools and has developed and deployed numerous POS applications. Posera also provides system hardware integration services, merchant staff training, system installation services, distribution of electronic cash registers to a network of value added resellers across Canada, and post-sale software and hardware support services. Posera licenses, distributes and markets its hospitality POS software, known as Maitre'D, throughout the Americas, Europe & Asia. Finally, the Company offers agnostic POS and payments integration applications.

Posera was founded in 2001 and is headquartered at 1106 Dearness Drive, Unit #4, in London, Canada N6E 1N9. The Company's common shares ("Common Shares") are listed on the Toronto Stock Exchange under the symbol "PAY" and previously were listed as "HDX".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation in accordance with IFRS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations (collectively "IFRS"). These consolidated financial statements were approved by the Board of Directors on March 27, 2017. These consolidated financial statements have been prepared on the historical cost basis, except for certain fair value through profit and loss financial instruments, which are carried at fair market values.

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Consolidation

These consolidated financial statements include the accounts of Posera. and its wholly owned subsidiaries. These subsidiaries as at December 31, 2016 are A&A Point of Sale Solutions Inc. ("A&A"); Posera Inc.: Posera France SAS; Posera Europe Ltd.; Posera Software Inc.; Posera USA Inc.; Century Cash Register Inc. ("Century"); HDX Payment Processing Ltd. ("HDX Payment Processing"); Posera – HDX Scheduler Inc. ("Posera – HDX Scheduler"); and Terminal Management Concepts Ltd. ("TMC"). TMC was amalgamated with Posera-HDX Ltd. on January 1, 2015. Century and Posera – HDX Scheduler were amalgamated with Posera Ltd. on January 1, 2016. A&A was amalgamated with Posera Ltd. on January 1, 2017. Zomaron Inc. ("Zomaron") is included as a discontinued operation in the consolidated financial statement of the Company up until the date of its disposal on April 29, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries are those entities (including special purpose entities) over which the Company has the power to govern financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained and are de-consolidated from the date that control ceases. Intercompany transactions, balances, income and expenditures, and gains and losses are eliminated.

Presentation Currency

These consolidated financial statements are presented in Canadian Dollars ("CAD").

Foreign Currency Translation

The functional currencies of all consolidated entities are CAD, with the exception of certain subsidiaries, which have functional currencies of the United States Dollar ("USD") (Posera Inc. and Posera USA Inc.), the Great British Pound ("GBP") (Posera Europe Ltd.), and the Euro ("EUR") (Posera France SAS). The Company translates the assets and liabilities of consolidated entities with differing functional currencies to CAD at the rate of exchange prevailing at the statement of financial position date and revenues and expenses of those operations using the average rates of exchange during the period. Gains and losses resulting from this translation are recorded in accumulated other comprehensive income(loss), in the period in which they arise.

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than an entities' functional currency are recognized in the consolidated statements of operations, except for gains and losses resulting from intercompany balances included in the net investment in foreign operations, for which foreign exchange gains and losses are recorded in accumulated other comprehensive income(loss).

Segments

The Company has organized its business around different products and services. Each acquired business is a separate operating segment. The Company then aggregates the operating segments into reportable segments based on the similarities of the products and services that are offered to its customers, the types of customers that products and services are provided to, and the methods used to distribute products and provide services. The chief decision maker of the company was determined to be the Company's Chief Executive Officer (the "CEO"), and as such the Company determined its operating segments based upon the reports the chief decision maker utilized to evaluate performance and allocate resources. Revenues from external customers are geographically allocated to countries based upon the place where the customers are located.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations

Business combinations have been accounted for in accordance with IFRS 3, Business Combinations ("IFRS 3"), whereby acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the acquisition date) of assets given, liabilities incurred or assumed, contingent consideration and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition related costs are expensed as incurred, except for incremental costs of issuance of debt or equity instruments. The acquired identifiable assets and liabilities are recognized at their fair values at the acquisition date. Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets acquired and liabilities assumed.

If the Company's interest in the net fair value of the acquired identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognized immediately as a bargain purchase gain in the consolidated statements of operations.

Subsequent to initial recognition, measurement of contingent consideration depends on whether it is an equity instrument or a financial asset or liability. Subsequent changes in the fair value of the contingent consideration that is deemed to be a financial asset or liability is recognized in the statement of operations as a gain or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Financial assets and liabilities

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets held are classified into the following specified categories: loans and receivables, and at fair value through profit and loss.

Financial liabilities held are classified into the following specified categories: other liabilities and at fair value through profit and loss. The classification depends on the nature and purpose of the financial assets or liabilities and is determined at the time of initial recognition.

Cash and cash equivalents, accounts receivable, notes receivable, lease receivable and investment credits receivable are classified as loans and receivables. Loans and receivables are initially measured at fair value, and subsequently at amortized cost less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The note receivable contains an embedded derivative as its cash flows vary based on Posera's share price. The Company has designated the entire instrument as measured at fair value through the statement of operations.

Accounts payable and accrued liabilities, bank indebtedness, vehicle loans, capital leases and notes payable are all classified as other liabilities, and initially measured at fair value and subsequently at amortized cost using the effective interest method. Interest expense is recognized by applying the effective interest rate, except for short-term payables when the recognition of interest would be immaterial.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets - impairment

Financial assets are assessed for indicators of impairment at each financial position reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statements of operations. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the consolidated statements of operations to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Cash and cash equivalents

Cash and cash equivalents consist primarily of demand accounts on deposit at financial institutions and short-term liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Inventory

Inventory consists of point-of-sale equipment for resale and service parts, which are required to fulfill Posera’s contractual obligations and have been valued at the lower of average cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventory cost is substantially comprised of the costs paid to purchase equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment tax credits

Investment tax credits are earned as a result of incurring qualifying research and development expenditures and are accounted for using the cost reduction method. Under this method, investment tax credits are treated as a reduction of the cost of the acquired assets or of the related expenses in the period that the credits become available, there is reasonable assurance that the conditions for their receipt will be complied with and that the grant will be received and it is probable that they will be realized.

Long-lived assets - property plant and equipment

Property, plant and equipment ("PP&E") are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of PP&E consists of the purchase price, and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

Depreciation is provided at rates calculated to write off the cost of PP&E, less their estimated residual value, using the straight-line method, as follows:

Office furniture and fixtures	5 years
Computer equipment	3 years
POS & ATM Equipment	3 - 5 years
Vehicles	5 years
Leasehold improvements	Life of the lease

An item of PP&E is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of operations.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Repairs and maintenance costs are charged to the statement of operations during the period in which they are incurred. Residual values, method of amortization and useful lives of the assets are reviewed at least annually and adjusted if appropriate.

Long-lived assets - Intangible assets

Intangible assets acquired individually are initially recognized and measured at fair value, and subsequently at their initial fair values, less accumulated amortization and impairment. The fair value of a group of intangible assets acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their fair values at the time of acquisition. Where intangible assets are acquired in a transaction that does not constitute a business combination, the cost of the group is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets with finite useful lives are amortized on a straight-line basis over their useful lives. The estimated useful lives of intangible assets, are as follows:

Technology Assets	5.5 - 10 years
Non-Competition Agreements	1 year
Revenue Sharing Agreement	3 years
Trade Names	20 years
Customer Relationships	7.5 - 10 years
Development Backlog	0.5 years
Computer software	3 years

The method of amortization and useful lives of the assets are reviewed at least annually and adjusted if appropriate.

Long-lived assets - Goodwill

Goodwill is not amortized, but is instead tested for impairment annually or more frequently, if events or changes in circumstances indicate that the asset might be impaired.

Cash-generating units ("CGUs")

For the purposes of measuring recoverable amounts, assets are grouped at the lowest-level for which there are largely independent cash inflows. Goodwill acquired in a business combination is allocated to each of the Company's CGUs, or; groups of CGUs, that is expected to benefit from the synergies of the combination. Each of the Company's CGUs to which goodwill is allocated represents the lowest level within the Company at which goodwill is monitored for internal management purposes; and is not larger than an operating segment. The Company has determined that the CGUs of the Company are the Direct POS CGU; the Indirect POS CGU; the ATM CGU; the Payments CGU; and the Payments Middleware CGU.

Long-lived Assets – Impairment

At each financial reporting date, the carrying amounts of the Company's long-lived assets (or CGUs) are reviewed to determine whether there is any indication that those assets (or CGUs) are impaired. If any such indication exists, the recoverable amount of the asset (or CGU) is estimated in order to determine the extent of the impairment, if any. For long-lived assets (or CGUs) not subject to amortization, the recoverable amount of the asset (or CGU) is estimated at least annually; or more frequently if there are any indications of potential impairment. Indicators of potential impairment may include, but are not necessarily limited to: unanticipated competition; loss of a significant customer; significant deterioration of margin; changes in the regulatory or legal framework in which the Company operates; or product discontinuance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The recoverable amount of an asset or CGU is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset (or CGU) in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU). If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount and the impairment loss is recognized in the Statements of Operations for the period.

If a CGU is impaired, the impairment is allocated first to Goodwill, with the remainder allocated rateably to the remaining long-lived assets based upon the relative carrying values. Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. Goodwill impairment losses are not subsequently reversed. A reversal of an impairment loss is recognized immediately in the consolidated statements of operations.

Lease inducements

Lease inducements represent funds provided by the landlord for property improvements and rent-free periods, if any. Lease inducements are amortized on a straight-line basis over the term of the leases and the amortization is recorded as a reduction in rent expense.

Deferred revenue

Deferred revenue is comprised primarily of fees received for warranty for hardware and software and support for point-of-sale solutions in advance of providing the services covered therein.

Convertible debentures

The Company classifies a financial instrument, or its component parts, on initial recognition as a financial liability or an equity instrument in accordance with the contractual arrangement's substance. The Company bifurcated the convertible debenture arising from the Posera acquisition, into its two components, the; (a) Note payable and the (b) Conversion option that represents a derivative financial liability; whereas the Series I 2014 Convertible Debentures were bifurcated into (a) Note payable and the (b) Conversion option presented as equity. The Company allocated the total face value of the convertible debenture on the date of issuance by determining the fair value of the note payable, with the residual being allocated to the conversion option.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive income or equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

The Company follows the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities as well as for the benefits of losses available to be carried forward for tax purposes. Deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Financing - Transaction Costs

Incremental costs incurred in respect of raising capital or debt are charged against the equity or debt proceeds raised, unless the instrument to which the transaction costs relate is classified as fair value through profit and loss in which case the incremental costs are expensed in the Statements of Operations immediately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity - Share-based payments

The Company's stock-based compensation plan is described in Note 17(b). The share option plan allows Company employees and directors to acquire shares of the Company. The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and each tranche is recognized on a straight-line basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted, the estimated volatility, estimated risk-free rate and estimated forfeitures. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Where the Company issues share-based payments to non-employees for services or assets, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless the fair value of the goods or services received cannot be estimated reliably, in which case the Company measures the goods or services received indirectly by reference to the fair value of the equity instruments granted.

Equity – Warrants

The Company accounts for warrants by measuring the fair value of the warrant at the date on which the respective warrant is issued. When warrants are issued in conjunction with shares of the Company, the cash proceeds received, net of cash offering costs, are prorated between share capital and warrants based on the relative fair value of each. The fair value of the warrants is determined using the Black-Scholes option pricing model. When warrants are exercised, cash received upon exercise and the amounts previously credited to warrants are reversed and credited to share capital.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the gross inflow of economic benefits during the period, arising in the ordinary course of the Company's activities. The Company offers certain arrangements whereby a customer can purchase products and services together. Where such multiple element arrangements exist, the amount of revenue is allocated to each element based upon the relative fair values of the various elements. The fair values of each element are determined based on the current market price of each of the elements sold separately.

The Company derives revenues from the following sources:

a) Revenue from POS systems, digital video recording ("DVR") systems and POS parts and consumables is recognized when the Company has transferred to the customer the significant risks and rewards of ownership, the Company does not retain continuing managerial involvement with or effective control of the goods, the amount of revenue can be measured reliably, it is probable the economic benefits associated with the sale will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. These conditions are generally met when the product has been installed. POS and DVR systems generally include a one-year support contract. The Company allocates revenue to each component of the transaction using the relative fair value of each separately identifiable component. The Company defers the fair value of the support services under the agreement, as

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

deferred revenue at the time of sale. Revenue on the support services is then recognized in line with the customer support contract policy below.

b) Revenue from customer support contracts is deferred and recognized as revenue on a straight-line basis over the term of the contract.

c) Software development and hosting service revenue are accounted for as services. Revenue is recognized when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the stage of completion of the transaction at the end of the reporting period can be measured reliably and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. Generally, unless a more accurate measure of the stage of completion is available, Software development and hosting service revenue is recognized on a straight-line basis over the term of the contract.

d) Services revenue relates to the delivery of consulting and system integration services with revenue recognized upon delivery and acceptance by the customer.

e) Software perpetual licenses are accounted for as sales of products as the customer has a perpetual right to use the software freely and the Company has no remaining obligations to perform after delivery of the software. The revenue from these products is recognized when the Company has transferred to the customer the significant risks and rewards of ownership of the software, the Company does not retain continuing managerial involvement with or effective control over the software, the amount of revenue can be measured reliably, it is probable the economic benefits associated with the sale will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. These conditions generally are met when the application software has been delivered.

f) Revenue from processing transactions is recognized at the time the transactions are processed.

The Company has presented the revenues divided into POS Revenues and Payment Processing Revenues. POS Revenues are those revenues earned primarily from the sale and service of POS terminal hardware and software, and Payment Processing Hardware, such as Debit/Credit Card pin-pads and ATM's; whereas Payment Processing Revenues are those revenues earned from primarily the associated payment processing transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cost of sales

Cost of sales includes the cost of inventory utilized in the period, depreciation, amortization, impairments, salaries, and other expenditures, which directly relate to the revenue recognized.

Loss per share

The Company presents basic and diluted earnings (loss) per share data for its Common Shares, calculated by dividing the net loss of the Company by the weighted average number of Common Shares outstanding during the period. Additionally, the Company presents basic and diluted earnings (loss) per share data for its Common Shares, calculated by dividing the net loss from continuing operations of the Company by the weighted average number of Common Shares outstanding during the period.

Assets and Disposal Groups Held for Sale or Distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

Discontinued Operations

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative Consolidated Statements of Operations and Comprehensive Income is re-presented in a format as if the operation had been discontinued from the start of the comparative period.

The Company presents the Results from Discontinued Operations as one net amount on the Consolidated Statements of Operations and Comprehensive Income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgments

The following are the significant accounting judgments that were made in the preparation of the financial statements.

a. Cash-generating units ("CGU"s)

In testing for impairment of certain assets that do not have independent cash inflows, the Company is required to group non-goodwill long-lived assets into CGUs which is the lowest level of assets that produce cash inflows which are independent of other assets.

Goodwill is allocated to each CGU, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes and is not larger than an operating segment.

b. Functional currency of consolidated entities.

Under IFRS, each consolidated entity must determine its own functional currency, which becomes the currency that entity measures its results and financial position in. In determining the functional currencies of consolidated entities, the Company considered many factors, including the currency that mainly influences sales prices for goods and services, the currency of the country whose competitive forces and regulations mainly determine the sales prices, and the currency that mainly influences labour material and other costs for each consolidated entity.

Critical accounting estimates

Preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies. Additionally, these estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The following are the estimates that are subject to significant estimate and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. *Intangible asset – December 31, 2016 - $1,456,606 (December 31, 2015 - $2,476,006) and Goodwill – December 31, 2016 - $4,189,233 (December 31, 2015 - $6,462,056), and related Goodwill and Intangible assets impairments for the years ended December 31, 2016 - $Nil and $Nil respectively (December 31, 2015 - $1,562,675 and $Nil respectively)*
   - Critical estimates relate to the valuation of intangible assets and goodwill acquired in business combinations and the potential or actual impairment of intangible assets and goodwill as part of the CGU impairment testing. See detailed disclosure surrounding acquisitions and disposals in Note 3, and sensitivities on impairment estimates in Note 10.

b. *Useful life and amortization of intangible assets*
   - See detailed disclosure of intangible asset useful lives in Note 2 above. A decrease of the average useful lives of intangible assets by 1 year, would increase amortization by $40,000 (2015 - $140,000)

c. *Investment Tax Credits Receivable – non-refundable – December 31, 2016 - $803,016 (December 31, 2015 - $819,986) and related investment tax (expense) recovery for the years ended December 31, 2016 – $55,806 [December 31, 2015 - $44,298]*
   - Management estimates that the non-refundable Investment Tax Credits receivable will be recoverable before expiry. See detailed disclosure surrounding the expiry dates for non-refundable Investment Tax Credits Receivable in Note 6. An annualized 2.50% decrease in the forecasted taxable income of the entity with the Non-Refundable Investment Tax Credits Receivable would not cause any of the tax credits to expire before use.

d. *Provisions – December 31, 2016 - $669,841 (December 31, 2015 - $622,218) and related expenditures for the years ended December 31, 2016 - $Nil (December 31, 2015 - $375,000)*
   - See detailed disclosure surrounding the provision at Note 13.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS standards issued but not yet effective

Standards issued but not yet effective or amended up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company has not determined if they will early adopt any standards at this time.

i) In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company is evaluating the impact of adopting this new standard.

ii) In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which establishes a single comprehensive model of accounting for revenue arising from contracts with customers that an entity will apply to determine the measurement of revenue and timing of when it is recognized. IFRS 15 supersedes current revenue recognition guidance, which is found currently across several standards and interpretations including IAS 11, Construction Contracts and IAS 18, Revenue. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods and services to customers in an amount that reflects the amount an entity expects to be entitled in exchange for those goods and services. The new standard will also result in enhanced disclosures about revenue that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This amendment is applicable for annual periods beginning on January 1, 2018. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

iii) On January 13, 2016 the IASB issued IFRS 16, Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, Leases ("IAS 17"). This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

As the company has significant contractual obligations in the form of operating leases under the existing standard, there will be a material increase in both assets and liabilities upon adoption of the new standard, and material changes to the timing of recognition of expenses associated with the lease arrangements. The Company is analyzing the new standard to determine it's impact on the statement of financial position and statement of operations.

(in Canadian dollars, except as noted)

3. ACQUISITIONS AND DIVESTITURES

During the year ended December 31, 2016

During the fiscal year-ended December 31, 2016, the Company decided and divested of its wholly owned subsidiary Zomaron Inc., which is within the Payments Segment following the decision to focus the Company's resources and capital towards the growth opportunities of the core products of the Company's Point-of-Sale and SecureTablePay platforms.

On April 29, 2016, the Company completed the divestiture of Zomaron Inc., to a company established by Zomaron's current operating management team, for an amount totalling $4.5 million. Consideration for the sale of Zomaron's shares comprised of a cash payment of $2.0 million on closing. Additionally, on closing Posera received a repayment of an existing intercompany debt in the amount of $1.3 million. Further, on closing the buyers have assumed a secured note payable with an estimated value on the date of disposition of $1.2 million, $0.4 million of which is unconditionally due on or before December 31, 2016, and $0.8 million of which is repayable at an amount that is dependent on certain variables, including Posera's share price.

The Company received payment for the secured note receivable of the full $0.4 million during fiscal 2016. The remaining $0.8 million has been revalued to $0.48 million with $0.32 million loss upon the revaluation being recorded on the Company's Consolidated Statements of Operations and Comprehensive Loss. Further details of the Zomaron divestiture is included in Note 25 of these Consolidated Financial Statements.

During the year ended December 31, 2015

Nil

4. CASH AND CASH EQUIVALENTS

Cash and Cash equivalents is comprised of the following:

	December 31, 2016	December 31, 2015
Demand accounts	$ 407,044	$ 1,702,972
Total	**$ 407,044**	**$ 1,702,972**

5. LEASE AND OTHER RECEIVABLES

During the year ending December 31, 2016, the Company recognized finance income of $13,689 (2015 - $4,446) in the consolidated financial statements. The Company's net lease receivable includes the following;

	December 31, 2016	December 31, 2015
Total minimum lease payments receivable	$ 139,496	$ 34,375
Unearned finance income	(7,821)	(3,191)
Total lease receivable	**$ 131,675**	**$ 31,184**
Short-term portion	84,748	15,206
Long-term portion	**$ 46,927**	**$ 15,978**

(in Canadian dollars, except as noted)

5. LEASE AND OTHER RECEIVABLES (continued)

Future minimum lease payments receivable under the sales leases are as follows;

	December 31, 2016	December 31, 2015
2016	$ -	$ 20,427
2017	97,394	9,343
2018	35,103	2,077
2019	4,599	2,528
2020	1,800	-
2021	600	-
Total	**$ 139,496**	**$ 34,375**

6. INVESTMENT CREDITS AND INVESTMENT TAX CREDITS RECEIVABLE

Investment tax credits related to Scientific Research and Experimental Design and investment credits related to Electronic Business, were recorded in the consolidated statements of operations as a reduction in technology expenses in the amount of $413,288 during the year ended December 31, 2016 (2015 - $370,747). As of December 31, 2016, a subsidiary of the Company has refundable investment tax credits receivable totaling $510,204 (December 31, 2015 - $186,999), and non-refundable investment credits receivable totaling $803,016 (December 31, 2015 - $819,986) which expire according to the schedule below:

	December 31, 2016	December 31, 2015
2030	$ 21,422	$ 94,198
2031	288,103	288,103
2032	327,736	327,736
2033	31,284	31,284
2034	23,135	23,135
2035	55,530	55,530
2036	55,806	-
Total	**$ 803,016**	**$ 819,986**

In order to receive the investment credits and investment tax credits receivable the Company must file its tax returns no later than 18 months after the period to which the claim relates.

7. INVENTORY

	December 31, 2016	December 31, 2015
Inventory held for resale	$ 745,767	$ 680,599
Inventory held as service stock	420,845	308,945
Total	**$ 1,166,612**	**$ 989,544**

For the year ended December 31, 2016, the Company expensed $4,351,262 (2015 - $3,510,878) related to inventory consumed. Throughout the fiscal period, the Company assesses the carrying amount of inventory on hand and determines if any inventory needs to be written-down to net realizable value. For the year ended December 31, 2016 the Company wrote refurbished service stock down by $nil (2015 - $100,742).

(in Canadian dollars, except as noted)

8. PROPERTY PLANT AND EQUIPMENT ("PP&E")

	Cost	Accumulated amortization and impairment	Net book value
	December 31, 2016		
Office furniture and fixtures	$ 165,699	$ 96,228	$ 69,471
Computer equipment	523,659	402,748	120,911
Vehicles	248,692	196,242	52,450
Leasehold improvements	66,313	55,102	11,211
Total	**$ 1,004,363**	**$ 750,320**	**$ 254,043**
	December 31, 2015		
Office furniture and fixtures	$ 124,874	$ 107,382	$ 17,492
Computer equipment	504,768	473,896	30,872
POS & ATM equipment	15,212	7,097	8,115
Vehicles	395,118	253,542	141,576
Leasehold improvements	55,128	50,611	4,517
Total	**$ 1,095,100**	**$ 892,528**	**$ 202,572**

The following is a reconciliation of the net book value for PP&E:

	Cost	Accumulated amortization and impairment	Net book value
Balance - December 31, 2014	**$ 1,050,691**	**$ 767,434**	**$ 283,257**
Acquisition of PP&E	10,004	-	10,004
Amortization of PP&E	-	92,925	(92,925)
Translation adjustment	34,405	32,169	2,236
Balance - December 31, 2015	**$ 1,095,100**	**$ 892,528**	**$ 202,572**
Acquisition of PP&E	248,399	-	248,399
Amortization of PP&E	-	99,896	(99,896)
Disposition of Zomaron (Note 25)	(218,172)	(123,023)	(95,149)
Disposition of PP&E	(94,402)	(94,402)	-
Translation adjustment	(26,562)	(24,679)	(1,883)
Balance - December 31, 2016	**$ 1,004,363**	**$ 750,320**	**$ 254,043**

(in Canadian dollars, except as noted)

9. INTANGIBLE ASSETS

	Cost	Accumulated amortization and impairment	Net book value
	December 31, 2016		
Technology assets	$ 5,048,920	$ 4,775,225	$ 273,695
Trade name	972,661	507,740	464,921
Customer relationships	6,897,934	6,181,026	716,908
Non-compete agreements	185,407	185,407	-
Revenue sharing agreement	743,666	743,666	-
Development backlog	50,000	50,000	-
Computer software	418,820	417,738	1,082
Total	**$ 14,317,408**	**$ 12,860,802**	**$ 1,456,606**
	December 31, 2015		
Technology assets	$ 5,116,200	$ 4,745,260	$ 370,940
Trade name	1,007,640	471,540	536,100
Customer relationships	7,360,727	5,794,971	1,565,756
Non-compete agreements	275,407	275,407	-
Revenue sharing agreement	743,666	743,666	-
Development backlog	50,000	50,000	-
Computer software	415,629	412,419	3,210
Total	**$ 14,969,269**	**$ 12,493,263**	**$ 2,476,006**

The following is a reconciliation of the net book value for Intangible Assets:

	Cost	Accumulated amortization and impairment	Net book value
Balance - December 31, 2014	**$ 14,210,072**	**$ 10,551,896**	**$ 3,658,176**
Amortization	-	1,373,212	(1,373,212)
Acquisition	4,056	-	4,056
Translation adjustment	755,141	568,155	186,986
Balance - December 31, 2015	**$ 14,969,269**	**$ 12,493,263**	**$ 2,476,006**
Amortization	-	742,080	(742,080)
Acquisition	3,190	-	3,190
Disposition (Note 25)	(405,000)	(183,136)	(221,864)
Translation adjustment	(250,051)	(191,405)	(58,646)
Balance - December 31, 2016	**$ 14,317,408**	**$ 12,860,802**	**$ 1,456,606**

(in Canadian dollars, except as noted)

10. GOODWILL

(a) Goodwill by reportable segment and CGU

	Net Book Value Before Impairment	Impairment Loss	Net Book Value
	December 31, 2016		
POS Segment			
Direct POS CGU	$ 17,548	$ -	$ 17,548
Indirect POS CGU	3,609,039	-	3,609,039
Payments Middleware CGU	562,646	-	562,646
Sub-total	**$ 4,189,233**	**$ -**	**$ 4,189,233**
Payments Segment			
Payments CGU	-	-	-
Sub-total	**-**	**-**	**-**
Total	**$ 4,189,233**	**$ -**	**$ 4,189,233**

	Net Book Value Before Impairment	Impairment Loss	Net Book Value
	December 31, 2015		
POS Segment			
Direct POS CGU	$ 1,580,223	$ 1,562,675	$ 17,548
Indirect POS CGU	3,720,049	-	3,720,049
Payments Middleware CGU	562,646	-	562,646
Sub-total	**$ 5,862,918**	**$ 1,562,675**	**$ 4,300,243**
Payments Segment			
Payments CGU	2,161,813	-	2,161,813
Sub-total	**2,161,813**	**-**	**2,161,813**
Total	**$ 8,024,731**	**$ 1,562,675**	**$ 6,462,056**

(b) Reconciliation of Goodwill

	Net Book Value
Balance – December 31, 2014	**$ 7,422,911**
Impairment [Note 10(c)]	(1,562,675)
Translation adjustment	601,820
Balance – December 31, 2015	**$ 6,462,056**
Disposition [Note 10(c)]	(2,161,813)
Translation adjustment	(111,010)
Balance – December 31, 2016	**$ 4,189,233**

(in Canadian dollars, except as noted)

10. GOODWILL (*continued*)

(c) Impairment

During the year ended December 31, 2016, the Company assessed an impairment of $Nil (2015 - $1,562,675) of the Goodwill allocated to the Direct POS CGU in the POS Segment. The impairment incurred for the year ended December 31, 2015 stemmed from a deterioration in the higher of the value in use and fair value less costs to sell. This was primarily the result of a downward revision in the CGU's revenue growth and earnings. The recoverable amount as at December 31, 2015 for the CGU was determined to be $346,000, being the fair-value less costs to sell. The key assumptions utilized to calculate the higher of value in use and fair value less costs to sell are detailed below. This impairment is included in the operating expenditures in the consolidated statements of operations.

(d) Key Assumptions

The following key assumptions were used in calculating the higher of value in use and fair value less costs to sell by CGU as at December 31, 2016, the date of the Company's impairment testing:

	POS SEGMENT			PAYMENTS SEGMENT
	Direct POS CGU	Indirect POS CGU	Payments Middleware CGU	Payments CGU(iv)
Terminal earnings growth rate (i)	0%	0%	0%	N/A
After-tax discount rate (ii)	15%	15%	15%	(iv) N/A
Residual multiple (iii)	N/A	N/A	N/A	N/A

(i) Earnings were extrapolated using a constant growth rate, which does not exceed the long-term average growth rate for the industry.
(ii) The discount rate was estimated based upon industry average after-tax weighted cost of capital, adjusted for the specific risks of the CGU.
(iii) Residual multiple was estimated based upon an assessment of marketability and condition of the residuals.
(iv) The payments segment is N/A as a result of the Zomaron discontinued operation disclosed in Note 25 and the disposal of the assets of the HDX Payment Processing Ltd. Business unit.

For the Indirect POS CGU, the higher of value-in-use and fair value less costs to sell exceeded the carrying value by $100,000. For the Direct POS CGU, the higher of value-in-use and fair value less costs to sell exceeded the carrying value by $17,000. For the Payments Middleware POS CGU, the higher of value-in-use and fair value less costs to sell exceeded the carrying value by $678,000. See below for the resulting impairment, by CGU, if any, as a result of the specified change to the key assumptions above, in isolation.

Change	Direct POS CGU	Indirect POS CGU	Payments Middleware CGU	Payments CGU(iv)
Reduction of 2% (i)	$Nil	$Nil	$164,000	N/A
Increase of 1% (ii)	$Nil	$Nil	$182,000	N/A
Decrease of 25% (iii)	N/A	N/A	N/A	N/A

(in Canadian dollars, except as noted)

11. BANK INDEBTEDNESS

As at December 31, 2016, the Company through its subsidiary Posera Software, has a revolving line of credit of $Nil (2015 - $Nil), of an available $200,000 (2015 - $500,000). The available credit facilities relate to $200,000 (2015 - $200,000) as an operating line of credit and $Nil (2015 - $300,000) to finance investment tax credits. These facilities bear interest at the Canadian bank prime rate plus 2.50%, with an effective interest rate of 6.00% (2015 – 5.50%). Any amounts borrowed in relation to the investment tax credits are payable in full upon receipt of the investment tax credit receivables and are secured by a floating lien on current and future investment tax credit receivables with a current carrying value of $510,214 (2015 - $186,999). Additionally, the facilities have a first ranking $1,000,000 (2015 - $1,000,000) moving hypothec on the assets of Posera Software. This facility has been guaranteed up to 80% by Investissement Quebec for the portions borrowed pertaining to the investment tax credits. Posera Software must meet certain non-IFRS measures including Working Capital, EBITDA, Net Tangible Worth and Debt ratios. As at December 31, 2016 the Company is in full compliance with these covenants.

On November 11, 2016, the Company negotiated a $1,500,000 stand-by operating facility, which may be drawn upon by the Company at any time with 5 business days' notice to the accredited lender. The interest rate on any funds drawn is 10% per annum and the stand-by charge is 2.5%. The stand-by operating facility expires December 31, 2018 and can be cancelled by the Company at anytime with 30-days notice to the lender at no additional cost. During the year-ended December 31, 2016 the Company paid $10,000 (2015 - $nil) for a set-up fee and $5,104 (2015 - $nil) in stand-by fees in relation to the stand-by operating facility. As at December 31, 2016, no amount has been drawn upon this facility.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2016	December 31, 2015
Trade payables (Note 18)	$ 1,947,799	$ 1,684,493
Accrued charges	1,146,879	1,710,369
Total accounts payable and accrued liabilities	**$ 3,094,678**	**$ 3,394,862**

(in Canadian dollars, except as noted)

13. PROVISIONS

	Provision for income tax and information return penalties	Provision for restructuring obligations	**Total**
Balance – January 1, 2015 (i)	**$ 207,224**	**$ -**	**$ 207,224**
Addition (ii)	-	375,000	375,000
Translation	39,994	-	39,994
Balance – December 31, 2015	**$ 247,218**	**$ 375,000**	**$ 622,218**
Addition (i)	55,000	-	55,000
Translation	(7,377)	-	(7,377)
Balance – December 31, 2016	**$ 294,841**	**$ 375,000**	**$ 669,841**

(i) During the years-ended December 31, 2012 and December 31, 2016, the Company became aware that certain income tax and information returns were past-due, which may be subject to certain penalties provided by legislation, the amount and timing of which is not certain. The Company has filed a formal request for abatement; however, the outcome of that request is not certain.

(ii) During the year-ended December 31, 2015, the Company assessed a provision in relation to certain restructuring obligations, the amount and timing of which is not certain.

(in Canadian dollars, except as noted)

14. NOTES PAYABLE

		Carrying Value	
#	Details	December 31, 2016	December 31, 2015
1	Loan from prior Posera shareholders, with a nominal and effective interest rate of 5.00%, with monthly installments of USD $33,633 including interest, commencing June 1, 2015, and is unsecured.	$ -	$ 17,380
2	On August 12, 2016, the Company entered into an agreement with the Convertible Debenture holders to make a one-time payment of $95,000 USD to satisfy the $102,051 USD principal balance owing on this Convertible Debenture. The agreement resulted in the release of any and all security related to this Convertible Debenture. The Convertible Debenture had a nominal interest rate of 3.95% and an effective interest rate of 9.50%, with monthly installments of USD $33,633 including interest. The debenture was convertible into Common Shares until May 5, 2012 at $0.645 per Common Share. The conversion option expired unexercised. The Convertible Debenture was secured with the Posera assets source code, all records, accounts, money and proceeds derived from the source code and any part thereof; which, as at December 31, 2016 have a carrying value of $nil (2015 - $nil).	-	402,234
3	Series I 2014 Unsecured Convertible Subordinated Debentures, with a principal amount of $1,500,000, issued with a discount of $150,000, with a nominal interest rate of 10.25%, and an effective interest rate of 20.77%, due on January 15, 2017, and convertible at $0.45 until January 15, 2016 and $0.60 until January 15, 2017. On November 11, 2016, the Company entered into an agreement to extend the payment terms for the Unsecured Convertible Subordinated Debentures totalling $1,500,000 to January 15, 2019 from January 15, 2017. The nominal interest rate remains at 10.25% and there was no change in the terms relating to the conversion aspect of the Unsecured Convertible Subordinated Debentures.	1,493,689	1,353,442
	Total Notes Payable	**1,493,689**	**1,773,056**
	Current portion of the Notes Payable	-	419,614
	Long-term portion of the Notes Payable	**$1,493,689**	**$1,353,442**

	Fair Value (Note 19)	
#	December 31, 2016	December 31, 2015
1	-	17,382
2	-	408,291
3	1,525,313	1,516,590
Total	**$ 1,525,313**	**$ 1,942,263**

(in Canadian dollars, except as noted)

14. NOTES PAYABLE (*continued*)

Principal and interest payments required in the next five years and thereafter are as follows:

	December 31, 2016	December 31, 2015
2016	$ -	$ 597,723
2017	153,750	1,519,012
2018	153,750	-
2019 and thereafter	1,519,012	-
Sub-total	**1,826,512**	**2,116,735**
Less: Interest	(332,823)	(343,679)
Total	**$ 1,493,689**	**$ 1,773,056**

For the year ended December 31, 2016, interest expense of $324,345 (2015 - $335,186) was recorded in the consolidated statements of operations in relation to notes payable.

15. VEHICLE LOANS AND CAPITAL LEASES

Posera uses vehicles in order to perform aspects of its business. Commitments for future payments of principle and interest on vehicle loans and capital leases are as follows:

Year	December 31, 2016	December 31, 2015
2016	$ -	$ 55,996
2017	19,844	78,412
2018	16,557	9,363
2019	11,870	4,676
2020	7,194	-
2021	600	-
	56,065	148,447
Less: Interest	(2,007)	(9,104)
	$ 54,058	**$ 139,343**
Short-Term Portion	18,955	47,157
Long-Term Portion	**$ 35,103**	**$ 92,186**

The Company makes monthly loan and capital lease payments of $1,654 (2015 - $5,558), which includes interest payments. The security provided for the loans and capital leases is the acquired vehicle related to that specific loan. Interest expense of $1,097 (2015 - $10,126) related to vehicle loans and capital leases was recorded in the consolidated statements of operations.

(in Canadian dollars, except as noted)

16. INCOME TAXES

Certain investment tax credits were netted against the expenses which were incurred to earn the credits, see Note 6. Deferred income tax assets are recorded to the extent it is probable that the Company will be able to recover such deferred income tax assets.

Deferred tax items recognized in net income were distributed as follows:

	December 31, 2016	December 31, 2015
Deferred tax recovery originated in current year	$ (115,100)	$ (503,611)
Recognition of previously unrecognized deferred taxes	(144,000)	-
Total	**$ (258,100)**	**$ (503,611)**

A reconciliation of the deferred income tax liabilities and assets is as follows:

	Tax losses & SRED expenditure	Investment tax credits	Intangible assets	Convertible Debenture	Other	Total
Balance – January 1, 2015	**$ 718,285**	**$ (550,000)**	**$ (731,000)**	**$ (48,000)**	**$ 36,000**	**$ (574,715)**
Deferred income tax recovery (expense)	(146,389)	165,000	416,000	39,000	30,000	503,611
Exchange differences	57,215	-	(103,000)	-	1,000	(44,785)
Balance – December 31, 2015	**$ 629,111**	**$ (385,000)**	**$ (418,000)**	**$ (9,000)**	**$ 67,000**	**$ (115,889)**
Deferred income tax recovery (expense)	153,100	(32,000)	188,000	7,000	(58,000)	258,100
Zomaron disposition	(226,000)	-	58,000	-	(7,000)	(175,000)
Exchange differences	38,429	-	(26,000)	-	1,000	13,429
Balance – December 31, 2016	**$ 549,640**	**$ (417,000)**	**$ (198,000)**	**$ (2,000)**	**$ 3,000**	**$ (19,360)**

A reconciliation of deferred tax liabilities and assets to the statement of financial position is as follows:

	December 31, 2016	December 31, 2015
Deferred income tax liabilities to be settled after the next fiscal year	$ (19,360)	$ (115,889)
Deferred income tax assets to be settled after the next fiscal year	-	-
Total	**$ (19,360)**	**$ (115,889)**

(in Canadian dollars, except as noted)

16. INCOME TAXES (*continued*)

A reconciliation between the Company's statutory and effective tax rate for the years-ended December 31 is as follows:

	2016	2015
Tax recovery at statutory rate of parent	26.50%	26.50%
Effect of foreign operations	3.05	2.28
Weighted average statutory tax rate	**29.52**	**28.78**
Permanent differences	1.29	(11.83)
Effect on deferred tax expense from changes in tax rates	0.01	0.10
Filing adjustments	(0.44)	(0.95)
Current year losses and deductible temporary differences for which no deferred tax asset was recognized	(28.28)	(16.97)
Recognition of previously unrecognized deferred tax assets	-	-
Gain on expired warrant charged directly to equity	(0.00)	(0.17)
Other	0.61	0.09
	2.71%	**(0.95%)**

The weighted average statutory tax rate was 29.52% (2015 – 28.78%), which varied largely as a result of a higher proportion of the loss being earned in jurisdictions with higher marginal rates compared to the prior year.

Non-capital losses

No deferred tax has been recorded in respect to investments in foreign subsidiaries, as there are no anticipated distributions or transactions in the foreseeable future. The Company has not recognized a deferred tax asset relating to a temporary difference related to intangible assets. In addition, the Company has non-capital losses available for carry-forward to reduce future years' income for tax purposes, which, if unused, will expire as follows in the respective jurisdictions:

	December 31, 2016		
	Canada	United States	France
2026	$ 2,000	$ -	$ -
2029	42,000	-	-
2030	31,000	-	-
2031	1,000	-	-
2032	380,000	240,000	-
2033	668,000	15,000	-
2034	706,000	-	69,000
2035	2,053,000	100,000	28,000
2036	3,999,000	385,000	47,000
	$ 7,882,000	**$ 740,000**	**$ 144,000**

(in Canadian dollars, except as noted)

16. INCOME TAXES (*continued*)

	December 31, 2015		
	Canada	United States	France
2026	$ 2,000	$ -	$ -
2029	42,000	-	-
2030	31,000	-	-
2031	1,000	-	-
2032	398,000	246,000	-
2033	674,000	16,000	-
2034	987,000	-	73,000
2035	2,516,000	103,000	30,000
	$ 4,651,000	**$ 365,000**	**$ 103,000**

(in Canadian dollars, except as noted)

17. SHARE CAPITAL

(a) Authorized and issued

Authorized

An unlimited number of voting common shares with no par value.

Common Shares Issued		Number of Common Shares	$
Balance – January 1, 2015		**61,521,705**	**53,656,082**
Issued for cash consideration	(i)	14,316,000	3,579,000
Issuance costs – cash	(i)	-	(272,928)
Issuance costs – warrants	(i)	-	(80,133)
Balance – December 31, 2015 and 2016		**75,837,705**	**56,882,021**

(i) On April 27, 2015, the Company issued a total of 14,316,000 Common Shares at a price of $0.25 per share for gross proceeds of $3,579,000 (the "Offering"). POSERA paid a finders' fee equal to 7.0% on $3,191,000 of the Offering's gross proceeds, together with finders' warrants to acquire 893,480 Common Shares in the Company. The finders' warrants are exercisable for a period of two years at an exercise price of $0.40 per Common Share.

(b) Stock options and stock-based compensation

Since 2002, the Company has had a stock option plan ("the Old Plan") to encourage ownership of the Company's Common Shares by its key officers, directors, employees and consultants. The maximum number of Common Shares that may be reserved for issue under the Old Plan is 2,000,000 Common Shares. Options under the Old Plan vest over various periods from the date of the granting of the option. All options granted under the Old Plan that have not been exercised within ten years of the grant will expire, subject to earlier termination if the optionee ceases to be an officer, director, employee or consultant of the Company. The majority of options granted under the Old Plan were granted to former executives of the Company and as of December 31, 2016 all options granted under the Old Plan have been terminated or expired.

(in Canadian dollars, except as noted)

17. SHARE CAPITAL (*continued*)

On September 20, 2011, the shareholders of the Company approved a new stock option plan (the “Plan”). The Plan has a rolling maximum number of Common Shares that may be issued upon the exercise of stock options, but shall not exceed 15% of the issued and outstanding Common Shares at the time of grant as approved at the June 29th, 2016 annual general meeting of shareholders. Prior to the amendment to the plan approved on June 29th, 2016, the rolling maximum number of Common Share shall not have exceeded 10% of the issued and outstanding Common Shares. Any increase in the total number of issued and outstanding Common Shares will result in an increase in the available number of options issuable under the Plan, and any exercises of options will make new grants available under the Plan. Options under the Plan vest over various periods from the date of the granting of the option. All options granted under the Plan that have not been exercised within ten years of the grant will expire, subject to earlier termination if the optionee ceases to be an officer, director, employee or consultant of the Company. The Plan was established on July 31, 2007, reapproved on June 18, 2014 and June 29, 2016. The Plan was enacted to encourage ownership of the Company's Common Shares by its key officers and directors, employees and consultants.

The following is a summary of the stock options granted and changes for the years then ended.

	December 31, 2016		December 31, 2015	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Options outstanding, beginning of the year	**3,407,720**	**$ 0.29**	**4,759,424**	**$ 0.32**
Granted	3,963,000	0.15	-	-
Exercised	-	-	-	-
Forfeited and expired	(528,564)	0.31	(1,351,704)	0.41
Options outstanding, end of the year	**6,842,156**	**$ 0.21**	**3,407,720**	**$ 0.29**
Options exercisable, end of the year	**5,602,281**	**$ 0.23**	**3,407,720**	**$ 0.29**

(in Canadian dollars, except as noted)

17. SHARE CAPITAL (*continued*)

The following table summarizes information about options outstanding as at:

December 31, 2016

	Options outstanding			Options exercisable	
Exercise Price	Number of options outstanding	Weighted average life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
0.125	1,417,000	4.58	0.125	177,125	0.125
0.17	2,375,000	4.45	0.17	2,375,000	0.17
0.20	150,000	4.86	0.20	150,000	0.20
0.25	1,484,656	0.46	0.25	1,484,656	0.25
0.28	250,000	0.50	0.28	250,000	0.28
0.32	1,165,500	2.30	0.32	1,165,500	0.32
	6,842,156	**3.12**	**$0.21**	**5,602,281**	**$0.23**

December 31, 2015

	Options outstanding			Options exercisable	
Exercise Price	Number of options outstanding	Weighted average life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
0.25	1,604,656	1.46	0.25	1,604,656	0.25
0.28	250,000	1.50	0.28	250,000	0.28
0.32	1,165,500	3.30	0.32	1,165,500	0.32
0.34	387,564	0.70	0.34	387,564	0.34
	3,407,720	**2.01**	**$0.29**	**3,407,720**	**$0.29**

(in Canadian dollars, except as noted)

17. SHARE CAPITAL (*continued*)

Of the options outstanding as at December 31, 2016, 1,625,000 (2015 – 250,000) options with an exercise price ranging from $0.17 to $0.28 (2015 – $0.28), are consultant compensation options.

For the year ended December 31, 2016, the Company recognized an expense of $298,102 (2015 – $18,181) for the vesting of options issued to directors, officers, and employees, which is included in Operating Expenses.

The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for options granted in the respective period ended:

	Year ended December 31, 2016	Year ended December 31, 2015
Risk-free rate of return	0.87%	1.61%
Expected volatility (*i*)	78%	104%
Dividend yield	-%	-%
Weighted average expected life	5 years	5 years
Estimated forfeiture rate	0 - 5%	0 - 5%

(i) The Company estimated the expected volatility on the date of grant through reference to the historical volatility of the Company's shares over a similar period.

(c) Contributed Surplus

The following is a continuity schedule of contributed surplus.

Balance January 1, 2015	**$ 7,142,111**
Expiry of warrants [Note 17(d)]	36,137
Stock based compensation	18,181
Balance December 31, 2015	**$ 7,196,429**
Stock based compensation	298,102
Balance December 31, 2016	**$ 7,494,531**

(d) Warrants

The warrants outstanding are as follows:

	December 31, 2016		December 31, 2015	
	Number of Warrants	Carrying value	Number of Warrants	Carrying value
Outstanding share purchase warrants to purchase Common Shares at $0.40 per share. The warrants expire on April 27, 2017 (i)	893,480	80,133	893,480	80,133
Total	**893,480**	**$ 80,133**	**893,480**	**$ 80,133**

(i) The value of the warrants was estimated utilizing an expected volatility of 69.37%, an expected life of 2 years, and a discount rate of 1.65%.

17. SHARE CAPITAL (*continued*)

(e) Loss per share

The Company uses the treasury stock method of calculating the dilutive effect of options and warrants on loss per share. Stock options, consultant compensation options, warrants and convertible debenture are only included in the dilution calculation if the exercise price is below the average market price for the period. The following is a summary of stock options, broker compensation options, convertible debenture and warrants:

	Exercise price	Expiry	Number issued and outstanding	Number exercisable with anit-dilutive impact	Number exercisable with anti-dilutive impact
Stock and consultant compensation options	Note 17(b)	Note 17(b)	6,842,156	177,125	5,425,156
Convertible Debenture	Note 14	Note 14	2,500,000	-	2,500,000
Warrants	Note 17(d)	Note 17(d)	893,480	-	893,480

A reconciliation of basic to dilutive weighted average number of shares follows:

(in 000's)	December 31, 2016	December 31, 2015
Basic weighted average number of shares	75,838	71,225
Dilutive impact of in-the-money options	177	-
Dilutive weighted average number of shares	**76,015**	**71,225**

(in Canadian dollars, except as noted)

18. RELATED PARTY TRANSACTIONS

Posera conducts business with a Company controlled by former Chief Executive Officer ("CEO") Paul K. Howell, whom stepped down from that role on September 25, 2015 and then subsequently resigned from his directorship on May 24, 2016 and ceased to be a related party at that time. During the year ended December 31, 2016, for the period that the director was still a related party until May 24, 2016, the Company recognized revenue in the amount of $31,761 (2015 - $48,153). Additionally, Posera recognized operating expenses and purchased products of $25,544 (2015 - $305,321) for the period that the director was still a related party until May 24, 2016. All transactions were agreed upon by the parties and were completed at the exchange amount.

During the year ended December 31, 2016, the Company received legal fees and disbursement invoices totaling $12,306 (2015 - $128,610), from law firms, which a director of Posera is and/or was a partner. As at December 31, 2016, the Company has a payable position of $613 (December 31, 2015 - $52,115) which will be settled between the related parties in the normal course of business.

This director is a partner at a law firm Posera utilizes and previously, this director was a partner of another law firm that Posera also utilizes. As the director no longer has an equity interest in the previous law firm, Posera has not included the payables to the former law firm as at December 31, 2016 or December 31, 2015, but Posera has included expenditures incurred for the period that the director was a partner at each respective firm.

Compensation of key management

Compensation awarded to key management includes the Company's directors, and members of the Executive team, which include the Chief Executive Officer, President, Chief Financial Officer, Chief Operating Officer and Senior Vice-President of Corporate Development, is as follows:

	Year ended December 31, 2016		Year ended December 31, 2015	
Salaries and short-term employee benefits	$	1,238,932	$	1,164,845
Share-based payments		135,197		37,797
Total	**$**	**1,374,129**	**$**	**1,202,642**

The salaries and short-term employee benefits are expensed as occurred, whereas the share-based payments are recorded at the date of grant and expensed over the vesting period to the Consolidated Statements of Operations and Comprehensive Loss.

(in Canadian dollars, except as noted)

19. FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities, excluding the notes payable approximate their carrying value at December 31, 2016 and December 31, 2015.

The fair value of the note payables is disclosed in Note 14, which estimates are level 3 measurements in the fair value hierarchy. Fair value estimates are made at a specific point in time based on relevant market information. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. The fair value estimates for notes payable utilized a discounted cash-flow valuation method, with an estimated discount rate of 10.00% as at December 31, 2016 (December 31, 2015 – 10.00%). Changes in assumptions could materially affect estimates.

The Company's financial instruments have been summarized below:

	December 31, 2016	December 31, 2015
Financial assets		
Loans and receivables	$ 5,523,700	$ 6,334,095
Financial liabilities		
Other financial liabilities	4,642,425	5,307,261

The following provides the fair value hierarchy for the financial instruments measurement subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has not reclassified financial instruments between levels of the fair value hierarchy in fiscal 2016 and 2015.

(in Canadian dollars, except as noted)

20. FINANCIAL RISK FACTORS

The Company’s risk exposures and the impact on the Company’s financial instruments are summarized below.

a) Credit risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and, accounts receivable in the aggregate amount of $3,188,805 as at December 31, 2016 (2015 $5,295,926). Cash and cash equivalents are held with certain Canadian and European financial institutions. The Company has adopted a credit policy under which the balance of new customers are analyzed individually for creditworthiness before the Company's standard payment terms and conditions are offered. The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company's customers are primarily located in Canada, the United States, France and the United Kingdom. The Company has no significant concentration of receivables, which would result in unusual credit risk exposure.

No financial assets are past due except for trade receivables. As at December 31, 2016, trade receivables of $1,372,921 (December 31, 2015 - $1,334,843) were current and not impaired, $1,408,840 (December 31, 2015 - $2,258,111) were past due but not impaired and $140,825 (December 31, 2015 - $97,151) were impaired.

The following table summarizes the changes in the allowance for doubtful accounts for trade receivables:

	December 31, 2016	December 31, 2015
Balance – Beginning of year	**$ 97,151**	**$ 144,900**
Receivables written off as uncollectible	(50,391)	(104,513)
Net provision for impairment	95,390	51,688
Translation adjustment	(1,325)	5,076
Balance – End of year	**$ 140,825**	**$ 97,151**
Accounts receivable – gross	**2,922,586**	**3,690,105**
Accounts receivable – net	**$ 2,781,761**	**$ 3,592,954**

b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet financial obligations when due through periodic monitoring of working capital balances.

(in Canadian dollars, except as noted)

20. FINANCIAL RISK FACTORS (*continued*)

As at December 31, 2015, the Company had a cash balance of $407,044 (2015 - $1,702,972) and other current assets of $5,256,107 (2015 - $5,071,757) to settle current liabilities of $5,565,563 (2015 - $6,319,024). All the Company's current financial liabilities have contractual maturities that range between 30 and 90 days and are subject to normal trade terms excluding vehicle loans and notes payable disclosed separately in Note 14 and Note 15 respectively. The following are the commitments to be settled in cash. The amounts presented represent the future undiscounted principal and interest cash flows, and therefore do not equate to the carrying amounts on the consolidated statement of financial position.

	2017	2018	2019	2020	2021 and thereafter	Total
Accounts payable and accrued liabilities (Note 12)	3,094,678	-	-	-	-	3,094,678
Vehicle loans and capital leases (Note 15)	19,844	16,557	11,870	7,194	600	56,065
Note payable (Note 14)	153,750	153,750	1,519,012	-	-	1,826,512
Operating leases	601,120	113,706	107,463	97,393	77,103	996,785
Total	**$ 3,869,392**	**$284,013**	**$1,638,345**	**$ 104,587**	**$ 77,703**	**$ 5,974,040**

c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign currency risk.

i) Interest rate risk

The Company has cash balances and interest-bearing debt. The Company holds cash and cash equivalents in deposit with certain Canadian and European financial institutions. The Company also holds notes payable, with largely fixed interest rates. The Corporation is sensitive to changes in the prevalent interest rates through interest income earned on its cash balance and interest paid on its notes payable. Interest rate risk is low as the interest rates on the Company's certificates of deposits, and notes payable are largely fixed. The interest rates and maturity dates for the notes payable are disclosed in Note 14.

ii) Foreign currency risk

The Company operates on an international basis and therefore, foreign exchange risk exposures arise from transactions denominated in a foreign currency. The foreign exchange risk arises primarily with respect to the USD, GBP and the Euro.

A $0.05 strengthening of the CDN dollar compared to the USD, holding all other variables constant, would decrease net income by $64,000 (December 31, 2015 - $39,000 decrease), and increase comprehensive income by $147,000 (December 31, 2015 - $91,000 increase). The Company has elected to not actively manage this exposure at this time.

(in Canadian dollars, except as noted)

20. FINANCIAL RISK FACTORS (*continued*)

A $0.05 strengthening of the CDN dollar compared to the GBP pound, holding all other variables constant, would increase net income by $1,000 (December 31, 2015 - $4,000 decrease), and decrease comprehensive income by $8,000 (December 31, 2015 - $14,000 decrease). The Company has elected to not actively manage this exposure at this time.

A $0.05 strengthening of the CDN dollar compared to the EUR euro, holding all other variables constant, would increase net income by $3,000 (December 31, 2015 - $39,000 decrease), and decrease comprehensive income by $7,000 (December 31, 2015 - $58,000 decrease). The Company has elected to not actively manage this exposure at this time.

21. EXPENDITURES BY NATURE

The following is a reconciliation of expenditures by function to expenditures by nature:

Presentation by Nature	December 31, 2016	December 31, 2015
Salaries, wages and other employee benefits (Note 6)	$ 10,639,756	$ 10,855,779
Changes in inventories of finished goods (Note 7)	4,351,465	3,611,620
Impairment of assets (Note 10)	-	1,562,675
Amortization (Notes 8 and 9)	818,207	1,342,530
Professional and regulatory fees	2,245,770	1,255,267
Travel, vehicle and meals and entertainment	798,670	845,086
Rent	744,076	763,192
Office and utilities	730,500	645,105
Advertising and promotion	379,292	281,530
Outside service	364,927	193,930
Insurance	102,337	88,319
Bad debt	91,583	50,587
Stock-based compensation [Note 17(b,c)]	246,437	18,180
Other expenditures	227,070	234,969
Total	**$ 21,740,090**	**$ 21,748,769**
Presentation by Function		
Cost of inventory	$ 4,351,262	$ 3,611,620
Technology	1,958,359	2,046,625
Operations and support	5,724,586	5,383,157
Sales and marketing	3,282,863	3,197,100
General and administrative	6,423,020	5,947,592
Impairment of assets (Note 10)	-	1,562,675
Total	**$ 21,740,090**	**$ 21,748,769**

Certain 2015 comparative figures have been revised to exclude the discontinued operation as disclosed in Note 25 to these financial statements.

(in Canadian dollars, except as noted)

22. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may issue new shares, sell assets to reduce debt or issue new debt.

The Company monitors capital on the basis of the debt to equity ratio, which is a non-IFRS measure. This ratio is calculated as total debt divided by total equity. Total debt is calculated as the sum of bank indebtedness, and current and long-term notes payable and vehicle loans as shown in the consolidated statements of financial position. Total equity is the equity of the Company in the consolidated statements of financial position. As disclosed in Note 11, the Company is subject to certain externally imposed capital covenants related to bank indebtedness.

The debt to equity ratios as at December 31, 2016 and December 31, 2015 were as follows:

	December 31, 2016	December 31, 2015
Total Debt		
Notes payable	$ 1,493,689	$ 1,773,056
Vehicle loans and capital leases	54,058	139,343
Total Debt	**$ 1,547,747**	**$ 1,912,399**
Equity		
Equity	$ 5,338,844	$ 8,910,367
Total Equity	**$ 5,338,844**	**$ 8,910,367**
Debt to Equity Ratio	**29.0%**	**21.5%**

23. CHANGES IN WORKING CAPITAL ITEMS

	December 31, 2016	December 31, 2015
Accounts receivable	$ 193,624	$ (431,919)
Investment tax credits and investment credits receivable (Note 6)	(306,118)	820,767
Income taxes receivable	35,272	-
Income taxes (Note 16)	(33,566)	45,244
Lease receivable (Note 5)	15,352	21,909
Inventory (Note 7)	(206,948)	(76,924)
Prepaid expenses and deposits	(2,602)	15,951
Accounts payable and accrued liabilities (Note 12)	514,996	298,886
Provisions (Note 13)	55,000	375,000
Deferred revenue	(11,871)	184,491
Total	**$ 253,139**	**$ 1,253,405**

(in Canadian dollars, except as noted)

24. SEGMENTED INFORMATION

The Company is divided into two reportable segments: POS and Payments. The POS segment focuses primarily on selling, installing and servicing POS hardware and software directly to end-users and on developing, licensing, distributing and marketing POS software indirectly through a dealer network. The Payments segment focuses primarily on selling and installing payment processing hardware and recurring payment processing services for credit and debit cards. These have been aggregated into two operating segments as they have the same economic characteristics. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on the profit and loss from operations before income taxes, amortization, interest, realized and unrealized foreign exchange gains or losses, other gains or losses and other comprehensive income. The Company manages each segment separately and management at the time of the acquisitions were retained. Certain segmented information relating to Goodwill is provided in Note 10.

Disclosure by Segment

	Revenue for the year ended		Operating (loss)profit for the year ended (i)	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
POS	$ 16,787,809	$ 16,655,623	$ (1,674,385)	$ (353,173)
Payments	16,905	35,549	12,375	(267,715)
Total	**$ 16,804,714**	**$ 16,691,172**	**$ (1,662,010)**	**$ (620,888)**

(i) Operating (loss)profit is earnings before corporate headquarters operating expenditures, interest earnings and expense, taxes, amortization, impairment and foreign exchanges losses and gains.

Reconciliation between the total consolidated operating profit and the net income (loss) per the consolidated financial statements is as follows:

	December 31, 2016	December 31, 2015
Total segmented operating (loss) profit	$ (1,662,010)	$ (620,888)
Loss from discontinued operations	(70,297)	(88,456)
Gain on disposition of Zomaron	1,959,794	-
Corporate headquarter operating expenditures	(2,455,158)	(1,531,505)
Other non-operating expenditures	(1,453,277)	(3,326,330)
Net Loss	**$ (3,680,948)**	**$ (5,567,179)**

(in Canadian dollars, except as noted)

24. SEGMENTED INFORMATION *(continued)*

	POS	Payments	**Total Consolidated**
	December 31, 2016		
Total Assets	$ 12,447,396	5,163	**$ 12,452,559**
Total Liabilities	$ 7,112,245	1,470	**$ 7,113,715**
	December 31, 2015		
Total Assets	$ 13,531,147	3,259,761	**$ 16,790,908**
Total Liabilities	$ 7,069,258	811,283	**$ 7,880,541**

Disclosure by Territory

	Revenue for the year ended		Operating (loss) profit for the year ended (1)	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Canada	$ 9,851,707	$ 9,666,639	$ (2,899,586)	$ (82,380)
USA	3,609,957	3,581,685	(809,097)	(770,271)
Europe	3,105,864	3,136,756	27,735	231,763
Asia and others	237,186	306,092	-	-
Total	**$ 16,804,714**	**$ 16,691,172**	**$ (3,680,948)**	**$ (620,888)**

(i) Operating profit is earnings before corporate headquarters operating expenditures, interest earnings and expense, taxes, amortization, impairment and foreign exchanges losses and gains.

	Canada	USA	Europe	**Total**
		December 31, 2016		
Total Assets	$ 7,120,256	4,372,593	959,710	**$ 12,452,559**
Total Liabilities	$ 5,658,075	1,143,078	312,562	**$7,113,715**
		December 31, 2015		
Total Assets	$ 10,752,082	4,760,568	1,278,258	**$ 16,790,908**
Total Liabilities	$ 6,881,312	612,464	386,765	**$7,880,541**

(in Canadian dollars, except as noted)

25. DISPOSITION OF ZOMARON AND DISCONTINUED OPERATIONS

During the year ended December 31, 2016, the Company decided to divest of its wholly owned subsidiary Zomaron Inc., which was within the Payments Segment following a decision made to focus Company resources and capital investment in targeted growth opportunities in the Company's identified core markets; 1) Point-of-Sale and 2) SecureTablePay platforms.

On April 29, 2016, the Company completed the sale of Zomaron Inc., to a company established by Zomaron's current operating management team, for an amount totalling $4.5 million. Consideration for the sale of Zomaron shares comprised of a cash payment of $2.0 million on closing. Additionally, on closing Posera received a repayment of an existing intercompany debt in the amount of $1.3 million. Further, the buyers have assumed a secured note payable with an estimated value on the date of disposition of $1.2 million, $0.4 million of which was unconditionally due on or before December 31, 2016, and $0.8 million of which is repayable at an amount that is dependent on certain variables, including Posera's share price.

See below for a reconciliation of the Note Receivable Balance issued as part of the Zomaron Disposition:

	Note Receivable	
Balance – December 31, 2015	$	Nil
Zomaron Disposition		1,200,000
Payments received		(400,000)
Revaluation		(320,000)
Balance – December 31, 2016	**$**	**480,000**

As at April 29th, 2016, the date of disposition, the disposal group comprised $2,365,207 of Net Assets, as detailed below:

	Assets			Liabilities	
Cash and cash equivalents	$	287,311			
Accounts receivable		472,691			
Prepaid expenses and deposits		10,815	Accounts payable		
Property, plant and equipment		95,149	and other accrued charges	$	796,816
Intangible assets		221,864	Vehicle loans		
Goodwill		2,161,813	and capital leases		87,620
Total assets disposed	**$**	**3,249,643**	**Total liabilities disposed**	**$**	**884,436**

The Company recorded a gain on the disposal of Zomaron of $1,959,794, being a gain of $2,134,794 less tax of $175,000. The Company incurred transaction costs related to the disposition of Zomaron of $79,229 during the year-ended December 31, 2016 (2015 - $nil), which has been recorded in General and Administrative in the Statement of Operations.

Zomaron has been presented as a discontinued operation, separate from continuing operations, in the Consolidated Statements of Operations and Comprehensive Loss during the year-ended December 31, 2016, and has been re-presented in a format as such for the December 31, 2015 comparative period.

(in Canadian dollars, except as noted)

25. DISPOSITION OF ZOMARON AND DISCONTINUED OPERATIONS *(continued)*

The results of the discontinued operation, which are presented as one net amount on the Consolidated Statements of Operations and Comprehensive Loss during the periods are summarized below:

	Year-ended December 31, 2016 (i)	Year-ended December 31, 2015
Revenue	$ 1,279,183	$ 4,061,703
Cost of inventory	254,075	816,406
Operations and support	124,375	360,341
Total Cost of Sales	**378,450**	**1,176,747**
Gross Profit	**900,733**	**2,884,956**
Sales and marketing	779,259	2,463,151
General and administrative	189,438	513,483
Total Operating expenses	**968,697**	**2,976,634**
Interest expense	2,334	9,522
Interest and other income	-	(11,970)
Net Income(loss) before income taxes from discontinued operations	**(70,298)**	**(89,230)**
Deferred tax recovery	-	(774)
Net Income(loss) from discontinued operations	**$ (70,298)**	**$ (88,456)**

(i) Year-ended December 31, 2016 includes results until the date of disposition, being April 29, 2016.

Cash flows from (used in) Discontinued Operations included in the Consolidated Statements of Cash Flows are detailed below:

	Year-ended December 31, 2016	Year-ended December 31, 2015
Cash flow from Operations	$ 139,141	$ 126,912
Cash flow used in Financing	(12,835)	(46,263)
Total Cash flow from (used in) Discontinued Operations	**$ 126,306**	**$ 80,649**

26. SUBSEQUENT EVENTS

(a) On January 1, 2017 Posera Ltd. amalgamated with its wholly-owned subsidiary A&A Point of Sales Solutions Inc. with the Consolidated parent of the group Posera Ltd.

(b) On January 20, 2017 Posera Ltd. closed a non-brokered private placement of Common Shares. Under the placement Posera issued a total of 18,899,997 Common Shares at a price of $0.12 per Common Share (the "Offering") for gross proceeds of $2,268,000. Posera paid finders fees in the aggregate amount of $71,098 in connection with certain subscriptions for Common Shares, representing a 6.0% of the gross proceeds of such subscriptions.

(c) On January 3, 2017 the Company settled the note receivable of $480,000.